

**MINUTES OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**HELD ON
April 16, 2004
8:30 a.m., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Karl Polen, Chairperson, Arizona State Retirement System Board, called the meeting to order at 8:35 a.m., MST.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Karl Polen, Chairperson
Mr. Jim Bruner, Vice Chairperson
Ms. Charlotte Borchert
Mr. Jaime Gutierrez
Dr. Keith Meredith
Mr. Michael Townsend
Mr. Lawrence Trachtenberg
Mr. Steven Zeman

Absent: Ms. Anne Mariucci

A quorum was present for the purpose of conducting business.

Mr. Karl Polen, Chairperson, began the meeting by introducing and welcoming Mr. Jaime Gutierrez to the ASRS Board as a Board Trustee.

2. Approval of Minutes of the March 19, 2004 Regular Meeting of the ASRS Board

Motion: Mr. Jim Bruner moved to approve the minutes of the March 19, 2004, Regular meeting of the ASRS Board.

Dr. Keith Meredith seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

3. Approval of Consent Schedule

Motion: Mr. Jim Bruner moved to approve Refunds, Death Benefits, Retirements, and Transfers

And

Approve the extension of the Long Term Disability (LTD) claims administration and dental benefit contracts

And

Approve the proposed rule making for R2-8-123, actuarial assumptions and actuarial value of assets, and R2-8-126, annuity conversion factors, and option facts, and transfers factors

And

Approve and authorize the Operations Review Committee to oversee the procurement of actuary services.

Dr. Keith Meredith seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

4. Presentation, Discussion and Appropriate Action Regarding the Emergency Rule Making for New R2-8-105, Service Credit Purchase by Payroll Deduction Agreement (PDA), that Establishes an Interest Charge on PDAs and Limits PDAs to 20 Years

Ms. Nancy Johnson, Rules Coordinator, explained it is necessary for an emergency rule making process to take place regarding interest rates on PDAs and have this rule in effect when the interest on PDAs goes into effect on July 1, 2004.

Motion: Ms. Charlotte Borchert moved to approve the emergency rule making for new R2-8-105, service credit purchase by PDA that establishes an interest charge on PDAs and limits PDAs to 20 years.

Mr. Lawrence Trachtenberg seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

5. Presentation, Discussion and Appropriate Action Regarding 2004 Legislation as requested by the External Affairs Review Committee

Ms. Denisse Gee, Government Relations Officer, provided a status update on the following bills:

- a. HB 2029 – ASRS; Service Purchase; Costs
- b. HB 2052 – ASRS; Retirement Incentive Costs
- c. HB 2077 – ASRS; Long Term Disability

- d. HB 2078 – ASRS; Asset Management; Limitations
- e. HB 2008 – ASRS; Healthcare Premium Subsidy
- f. HB 2650 – Investment Protection Committee
- g. SB 1343 – State Investment; Terrorist Ties

Ms. Borchert inquired as to the status of actions regarding early retirement incentives in various school districts. Mr. Stephenson referred to the “rent-a-teacher” program and stated that this issue is quite complex. This issue will be researched during the summer of 2004 and addressed during the next legislative session. Ms. Borchert added that this could be a serious situation and ultimately result in significant costs to the ASRS.

6. Presentation, Discussion and Appropriate Action Regarding a Policy & Procedure Pertaining to the Facilitation of Member Association Contact with Members

Mr. Paul Matson, Director, recommended approval of the draft policy and procedure that would allow for bona fide, not-for-profit Member Association Groups to communicate with ASRS members, both active and inactive, by utilizing the following ASRS resources:

- Links and contact information on the ASRS Web Site to Member Association Groups
- Listings and contact information in the ASRS Newsletter of Member Association Groups

Mr. Quentin Bogart, a past president of the Arizona State University (ASU) Retirees’ Association, addressed the Board and explained that the ASU Retirees’ Association is a division of the university and is entitled to lists of members. There is an issue with ensuring that these lists are kept up-to-date. Mr. Bogart wrote to Mr. Matson requesting names and addresses for the members of the ASRS. This will allow the ASU Retirees Association to provide its members with information on recreational facilities and a discount card. Mr. Bogart asked the Board to please consider this request for information.

Motion: Mr. Jim Bruner moved to approve the policy & procedure pertaining to the facilitation of member association contact with members.

Ms. Charlotte Borchert seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

7. Presentation, Discussion and Appropriate Action Regarding the Performance of International Equity Managers for the Period Ending December 31, 2003

Mr. Gary Dokes, Chief Investment Officer, provided a brief background on the ASRS’ allocation to international equities. The Fund has been managing an allocation to international equities for over 17 years with a current allocation representing 15% of the ASRS’ assets. Mr. Dokes provided a brief overview of the international asset class.

Mr. Terry Dennison, Principal, Mercer Investment Consulting, provided a review of risk and return data for the period ending December 31, 2003, for each international manager.

Mr. Daniel Anderson, Vice President, Client Services, and Mr. Michael McCarthy, Director & Portfolio Specialist, presented on behalf of the Bank of Ireland.

	Quarter	1 Year	3 Years	5 Years	Inception*
Portfolio Return	16.40	29.76	-4.89	1.02	4.72
Benchmark	17.11	39.17	-2.58	0.26	3.91
Total Value Added	-0.71	-9.41	-2.31	0.76	0.81

* 10/1/98

Mr. Ian Sunder, CFA, Portfolio Manager, and Mr. Patrick Feller, Associate Portfolio Manager, presented on behalf of Brandes Investment Partners.

	Quarter	1 Year	3 Years	5 Years	Inception*
Portfolio Return	19.3	52.1	2.7	11.9	14.7
Benchmark	17.1	39.2	-2.6	0.3	3.9
Total Value Added	2.2	12.9	5.3	11.6	10.8

*9/30/98

Mr. Michael Nyeholt, Senior Vice President, and Mr. Robert Ronus, Vice Chairman & Director, presented on behalf of Capital Guardian.

	Quarter	1 Year	3 Years	5 Years	Inception*
Portfolio Return	15.8	36.2	-2.0	5.6	12.2
Benchmark	17.1	39.2	-2.6	0.3	9.5
Total Value Added	-1.3	-3.0	0.6	5.3	2.7

*Inception Date: Europe and Canada mandate from 6/30/92-9/30/98

EAFE mandate from 10/1/98 to present

Mr. Robert Windsor, Vice President, Sr. Portfolio Manager, and Mr. Robert Prusiewicz, Vice President, Institutional Investment Sales, presented on behalf of Bank of New York Index Management.

	Quarter	1 Year	3 Years	5 Years	Inception*
Portfolio Return	17.3	40.3	-1.7	2.2	7.7
Benchmark	17.1	39.2	-2.6	0.3	6.5
Total Value Added	0.2	1.1	0.9	1.9	1.1

* 7/1/92

Mr. David Lissek, Principal, Client Relations, presented on behalf of Barclays Global Investors.

	Quarter	1 Year	3 Years	5 Years	Inception*
Portfolio Return	17.05	38.91	-2.67	0.15	3.08
Benchmark	17.11	39.17	-2.57	0.26	3.22
Total Value Added	-0.04	-0.26	-0.10	-0.11	-0.14

* 5/31/96

8. Director's Report.

Mr. Matson provided a brief update with respect to the request for proposal for the financial management system. A contract with MUNIS was signed on April 15, 2004.

Mr. Matson introduced Mr. Raymond Thomas as the ASRS' new Assistant Director in Member Services. Mr. Thomas comes to the ASRS from the New York City Retirement System. Mr. Matson is very pleased to have Mr. Thomas on staff as he will be an added value to the ASRS management team.

9. Brief Summary of Current Events

None.

10. Board Requests for Agenda Items

Ms. Borchert requested that an informational agenda item pertaining to committee updates be placed on the agenda for future meetings. Mr. Polen suggested replacing the item pertaining to summary of current events with a committee update.

11. Call to the Public

See agenda item #6.

12. The next ASRS Board meeting is scheduled for Friday, May 21, 2004, at 8:30 a.m., at 3300 N. Central Avenue, Phoenix, Arizona.

13. Adjournment of the ASRS Board

Mr. Polen adjourned the April 16, 2004 Board meeting at 10:30 a.m.

ARIZONA STATE RETIREMENT SYSTEM

Marina Chaves, Secretary

Date

Paul Matson, Director

Date